In the light of recent developments relating to failure of some large financial institutions in the USA and Europe representing investment banking, insurance and commercial banking segments, RBI has undertaken an assessment of the exposure of major Indian banks to these entities as on September 30, 2008. The exposures mainly consisted of investments in Floating Rate Notes, Nostro balances, bank guarantees, forex exposures, etc. The banks have made an aggregate provision of USD 47.3 million on these exposures. The banks' exposure to Lehman Brothers is USD 336 million.

(c) and (d) The Public sector banks may raise capital through various channels such as dilution of equity, issue of preference shares, issue of permissible instruments i.e. Innovative Debt Instruments, Subordinated Debt Instrument, etc., plough back of profit provision for standard assets, etc. The proposals of public sector banks for raising additional capital are considered by the Government on the merits of each case.

Opening of duty-free shops

377. SHRI ABDUL WAHAB PEEVEE: Will the Minister of FINANCE be pleased

to state:

(a) whether it is a fact that Government had revised the procedure for allotment of duty free shops at various airports in the country;

(b) if so, the details thereof;

(c) whether it is also a fact that Government had recently opened a duty free shop at the arrival lounge at Wagah Border on contract basis; and

(d) if so, what was the procedure prescribed and followed in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) No Sir. The practice/ procedure for licensing of Duty Free Shops by Customs at the airports in the country has not been revised in the recent past.

(b) Not applicable in view of (a) above.

(c) Yes Sir. A Private Warehouse license under Section 58 of the Customs Act, 1962 has been granted to M/s Flemingo DFS Private Limited for opening a Duty Free shop at Wagah Border (Land Customs Station-Attari Road).

(d) The Duty Free Shops are licensed as Private Warehouse under Section 58 of the Customs Act, 1962. The approval for opening of Duty Free Shop at Wagah Border was given after getting the necessary approval from Foreign Investment Promotion Board (FIPB) and after furnishing of requisite bond with security as per prevalent instructions/ guidelines.

FDI in Insurance Sector

378. SHRI ABDUL WAHAB PEEVEE: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Group of Ministers (GoM) had cleared the Insurance Laws (Amendment) Bill, 2006 for raising FDI in Insurance Sector upto 49 per cent; and

(b) if so, by when Government proposes to introduce the said Bill in Parliament?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) Yes, Sir. The Group of Ministers (GoM) has approved the proposed amendments with certain modifications and the same are to be placed before the Cabinet.

Use of recovery agents by banks

379. SHRI RAMDAS AGARWAL: Will the Minister of FINANCE be pleased to state:

(a) whether the Supreme Court has reportedly said that "RBI had raised concern about the number of litigations filed against banks for engaging recovery agents who have violated the law";

(b) if so, how many cases of persistent breach of 'Guidelines of engagements of Recovery Agents' came to the notice of RBI during the last two years, till-date; and

(c) in how many cases supervisory action taken, penalties against any bank or its Directors/Officers/Agents with regard to policy, practice and procedure related to the recovery process?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) to (c) Hon'ble Supreme Court, on an appeal (no.900 of 2008) filed by ICICI Bank Ltd. against the order of the Delhi High Court in respect of a case has observed that Reserve Bank of India (RBI) had expressed its concern about the number of litigations filed against the bank in the recent past for engaging recovery agents who have purportedly violated the law. RBI's letter accompanying its April 24,2008 guidelines on engagement of recovery agents, RBI stated *"in view of the rise in the number of disputes and litigations against banks for engaging recovery agents in the recent past, it is felt that the adverse publicity would result in serious reputational risk for the banking sector as a whole"*. RBI had taken this issue seriously, as evidenced by the penalty that the banks could face if they fail to comply with the guidelines while engaging recovery agents and has clarified that complaints received regarding abusive practices followed by a bank's recovery agent would invite serious supervisory disapproval. RBI would consider imposing a temporary ban (or even a permanent ban in case of persistent abusive practices), for engaging recovery agents, on those banks where strictures have been passed/penalties have been imposed by a High Court/Supreme Court or against its Directors/Officers with regard to the abusive practices followed by their recovery agents.

Further guidelines have also been issued by RBI on Fair Practice for lenders. IBA has formulated a "Model Code for collection of dues and repossession of Security". The code of Bank's commitments to customers has also been formulated by the Banking Codes and Standards Boards of India (BCSBI). All these guidelines emphasise the fact that the collection policy of the Bank should be built on courtesy, fair treatment and persuasion and the bank follow security repossession policy in consonance with Law.